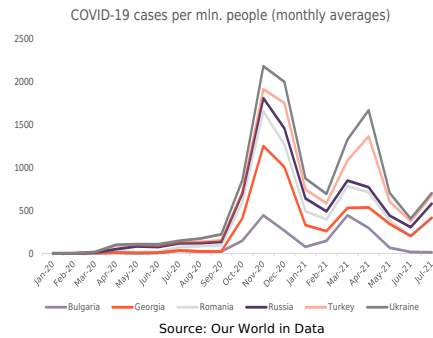


A year and a half since the outbreak of the coronavirus (COVID-19) pandemic, the world has entered a new phase in which the race to vaccinate is shaping the path for post-pandemic recovery and economic growth. In this bulletin, we review the dynamics of the virus spread and the extent of the economic recovery being achieved by the countries of the Black Sea region.

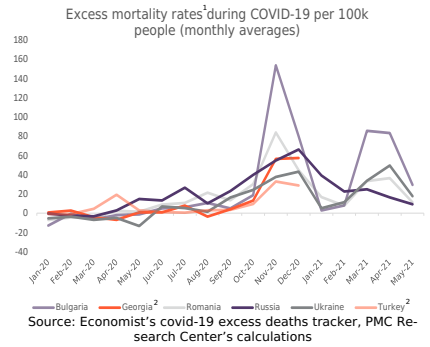
### Spread of the virus

The partial reopening of economies and activation of vaccination rollout represented the first signs of recovery. However, the COVID-19 pandemic continues to pose extraordinary challenges due to new waves of infection and more persistent variants of the virus spreading even more easily. Thus, resurgences of COVID-19 cases have induced policymakers to respond with new containment measures, albeit, the strictness of the measures and their effectiveness to reduce the spread of the virus has been uneven in the Black Sea region.



Despite the overall dynamics of COVID-19 cases and deaths being similar among the countries of the region, with peaks occurring at approximately the same periods in October-November 2020 and March-April 2021, there has been some variability in terms of magnitude during the reporting period.

A decrease in COVID-19 cases and deaths was noted in Q2 2021, with Ukraine and Turkey having the steepest declines. However, since June 2021, the number of COVID-19 cases has increased in all countries of the region, except Bulgaria. Thus, in some countries the rise in COVID-19 infections is building into a new wave, expected to peak in the coming months.



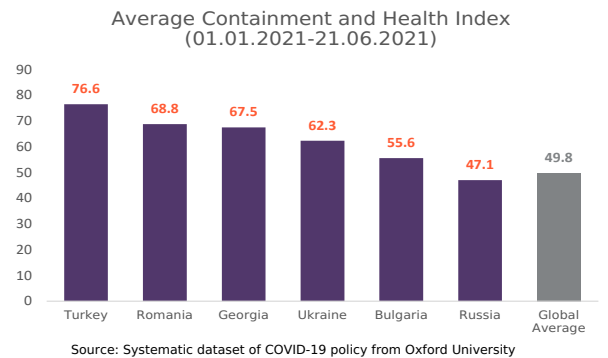
The official statistics may suffer from some discrepancies due to limited testing capacities and inefficient reporting in some countries. Therefore, an additional measure that can be used to evaluate the effect of the virus is the excess mortality rate, which compares current mortality rates to rates prior to the pandemic.

Bulgaria, despite having the lowest monthly average number of cases and deaths per million people, has the highest excess mortality rate in the region, which can be explained by its underreporting of COVID-19 cases due to its significantly low testing rates<sup>3</sup>. In 2020, Turkey reported the lowest excess mortality rate per 100,000 people, on average.

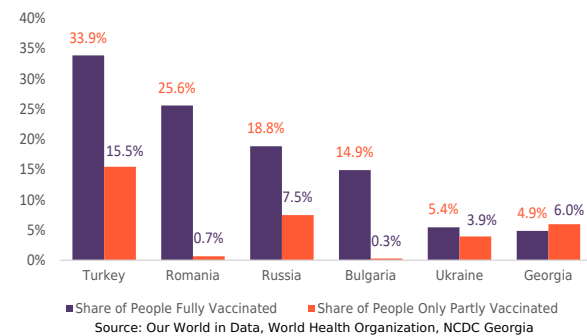
### Government responses and vaccination

In order to reduce the number of COVID-19 cases, governments induced restrictions to reduce mobility and slow down the activity for extended periods of time, while investing in vaccines at the same time. The Containment and Health Index<sup>4</sup> evaluates the combinations of "lockdown" restrictions and closures applied, including measures such as testing policies, requirements to wear face coverings, and policies regarding vaccine rollout. However, the index does not determine the appropriateness or effectiveness of countries' policy responses. The average Containment and Health Index scores for Black Sea region have been calculated and analyzed for the period from January to June of 2021.

Turkey has the highest average score (76.6) in the region, which could be the reason why the country managed to reduce the number of cases and deaths significantly. Meanwhile, Romania ranks second with 68.8, followed by Georgia (67.5) and Ukraine (62.3).



Share of adult population vaccinated against COVID-19 (as of 7 August 2021)



Containment and health measures have been relatively relaxed in Bulgaria, although Russia's restrictions have been the least strict in the region. Overall, on average, restrictions of the region were significantly stricter than the global average. Moreover, policies for vaccine delivery differed across the region. According to vaccination policy indicator, in Bulgaria, Russia, and Romania vaccines were mostly universally available nationwide, while vaccine availability in Turkey was relatively moderate. Lastly, Ukraine and Georgia had the lowest average availability of vaccines in the region.

However, despite Turkey having moderate vaccine availability, it is the leading country in the Black Sea region for full and partial vaccination. Turkey has 33.9% of its population fully vaccinated against COVID-19, which could be explained by its relatively effective distribution of available vaccines. Romania (25.6%) ranks second in the vaccination rate, followed by Russia (18.8%) and Bulgaria (14.9%). Finally, Ukraine (5.4%) and Georgia (4.9%) have the lowest shares of the vaccinated adult population in the region.

### Restrictions and the role of tourism

Restrictions have an important impact on the recovery of the economies. The countries with high economic dependency on tourism were strongly affected by travel and entry constraints. According to the WTTC, Georgia has the highest total contribution of tourism to GDP in the region. In case of Georgia, adverse effect of the pandemic is intensified due to the fact that the country is classified as a very high-risk country for travel (according to Centers for Disease Control and Prevention (CDC), as of August 5th<sup>5</sup>).

Meanwhile, the travel recommendations in other countries of the region are more positive. Additionally, Ukraine was recently added to the list of epidemiologically safe countries by EU, becoming the only non-EU country in the region in the EU's "safe" list<sup>6</sup>.

	CDC Risk Assessment Level for Covid-19	Entry Restrictions by Air Travel	Quarantine Obligation	COVID-19 Testing Obligation	Economic Importance of Tourism (2019)	2019 Total Contribution of Travel and Tourism to GDP <sup>7</sup>	2020 Total Contribution of Travel and Tourism to GDP	%Change of Total Contributions
<b>Bulgaria</b>	Low	Yes	Yes	Yes	Considerable (10-20%)	10.7%	4.8%	-5.9%
<b>Georgia</b>	Very High	Yes, with exceptions	Yes	Yes	High (>20%)	26.8%	7.9%	-18.9%
<b>Romania</b>	Low	No	Yes	No	Moderate (5-10%)	6.1%	2.9%	-3.2%
<b>Russia</b>	High	Yes, with exceptions	Yes	Yes	Low (<5%)	4.9%	2.7%	-2.2%
<b>Turkey</b>	High	No	No, with exceptions	Yes	Considerable (10-20%)	11.0%	5.0%	-6.0%
<b>Ukraine</b>	Moderate	No	No	Yes	Moderate (5-10%)	6.3%	3.4%	-2.9%

Source: UNWTO, WTTC, CDC

### Economic performance and forecasts

The pandemic still poses extraordinary challenges with regard to economic recovery and continues to weigh on economic growth in many countries, including those in the Black Sea region.

In 2020, every country in the region experienced an unprecedented decline in terms of economic growth. According to the latest estimates of the World Bank, among these six countries Georgia suffered the sharpest fall in GDP, equal to 6.1 percentage points, while Turkey was the only country in the region to record positive economic growth, equal to 1.8 pp. Compared to projections made before the pandemic, Georgia performed poorest, being 10.9 percentage points worse off in 2020 than was predicted. In this regard Turkey performed best – at 1.2 pp less GDP growth than expected before the pandemic.

Real GDP growth rate (%) and forecasts in the Black Sea region, 2018-2022									
	Actual performance		June 2021 projections			Percentage point differences between June 2021 and June 2019 projections		Percentage point differences between June 2021 and January 2021 projections	
	2018	2019	2020e	2021f	2022f	2020	2021	2020	2021
<b>Georgia</b>	4.9	5.0	-6.1	6.0	5.0	-10.9	1.0	-0.1	2.0
<b>Ukraine</b>	3.4	3.2	-4.0	3.8	3.1	-7.4	0.0	1.5	0.8
<b>Russia</b>	2.8	2.0	-3.0	3.2	3.2	-4.8	1.4	1.0	0.6
<b>Turkey</b>	3.0	0.9	1.8	5.0	4.5	-1.2	1.0	1.3	0.5
<b>Bulgaria</b>	3.1	3.7	-4.2	2.6	3.3	-7.0	-0.2	0.9	-0.7
<b>Romania</b>	4.5	4.1	-3.9	6.0	4.5	-7.2	2.9	1.1	2.5

Source: World Bank Global Economic Prospects June 2021, Our World in Data, World Health Organization, NCDC Georgia

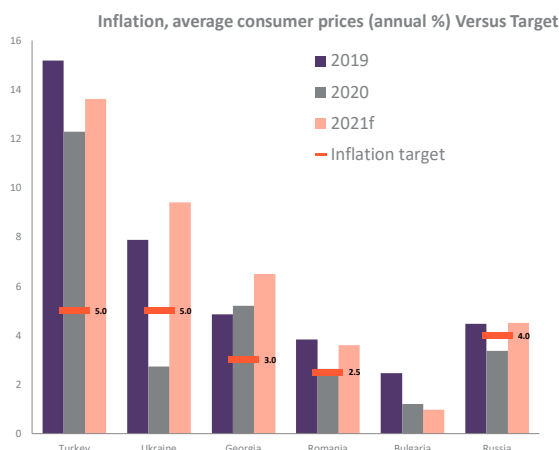
According to the latest forecasts of the World Bank made in June, GDP growth rates for almost all countries in the region will return to pre-pandemic projections in 2021. Only Bulgaria is expected to remain slightly below these levels (by 0.2 percentage points), while Romania is expected to considerably surpass its pre-crisis rate of growth by 2.9 pp. Interestingly, the World Bank's June 2021 estimates were more positive compared to the previous projections published in January. Especially significant were the changes in forecasts for Romania and Georgia - the Romanian economy in 2021 is now predicted to grow by 2.5 percentage points more than was predicted in January, while the forecast for the growth of Georgian economy improved by 2 pp. As for the nominal value of GDP, according to the latest forecasts, only Russia, Turkey and Romania will manage to return to their pre-pandemic levels this year.

	Government Debt (% of GDP)					Current Account (% of GDP)		
	2019	2020	2021f	Change From 2019 to 2020	Change From 2020 to 2021	2019	2020	2021f
<b>Bulgaria</b>	18.4	23.8	25.5	5.4	1.7	3.0	0.1	1.4
<b>Georgia</b>	40.4	60.6	63.9	20.2	3.2	-5.5	-12.3	-11.5
<b>Romania</b>	36.8	50.1	52.6	13.3	2.5	-4.7	-5.1	-5.0
<b>Russia</b>	13.8	19.3	18.1	5.5	-1.2	3.8	2.2	3.9
<b>Turkey</b>	32.6	36.8	37.1	4.2	0.3	0.9	-5.1	-3.4
<b>Ukraine</b>	48.8	60.7	58.1	12.0	-2.6	-2.7	4.3	-2.5

Source: IMF, World Economic Outlook Database, April 2021

debt levels. Only Ukraine and Russia will manage to decrease their indebtedness compared to 2020, but neither will return to the pre-pandemic levels.

In 2021 the current account balances of Black Sea countries are predicted to benefit from a rebound in global demand and recovering remittances, and consequently, start to recover from 2020 levels. However, the situation varies significantly depending on country. Russia will benefit from increasing oil prices and oil exports as an oil-exporter country and will even recover to its pre-pandemic level of current account surplus. Meanwhile, current account of Georgia that has fallen from -5.5% to -12.3% in 2020, is not expected to recover much in 2021, given that restoration of tourism is being delayed.



Source: IMF (World Economic Outlook Database, April 2021) and forecasts of National Banks for 2021, where available

The trend observed in Ukraine is opposite from the one in the other countries of the region. Ukraine that had current account surplus of 4.3% in 2019, managed to record current account surplus of 4.3% in 2020. This might be explained by the fall in oil prices (Ukraine is an oil-importer country) and rise in prices for the primary exports of Ukraine (iron ore, agricultural goods). However, with the prices stabilizing back to pre-pandemic levels, the current account of Ukraine is expected to drop back into the deficit.

Recovery in economic activity and a rebound in commodity prices, as well as currency depreciations in 2020, are all putting upward pressure on inflation. This pattern can be clearly seen in Black Sea region countries, especially in more vulnerable markets, such as Turkey, Ukraine and Georgia. In 2021 all countries in the region are expected to surpass their inflation targets.

To sum up, the recovery of the Black Sea region from COVID-19 pandemic is not assured. The possibility of new outbreaks, especially considering the emergence of new variants, vaccination challenges, travel restrictions, mounting debt levels and rising inflationary pressures, suggests that the path to recovery in 2021 will be long and divergent.

1. Excess deaths are calculated by comparing 2020-2021 death rates with historical baseline of previous five years.  
2. The data of monthly average excess mortality rates was only available until the end of 2020 for Georgia and Turkey.

3. <https://euobserver.com/coronavirus/151639>  
4. developed by Blavatnik School of Government and University of Oxford for Oxford COVID-19 government response tracker, measured on a scale of 0-100, with highest value indicating the strongest response.

5. [CDC country classification](#)  
6. [EU safe countries list](#)  
7. Total contribution is the sum of direct and indirect contributions of Travel and Tourism to GDP. Last four columns are based on data from the World Travel and Tourism Council